



December 31, 2015

*Quarterly Consolidated Financial Statements
as of December 31, 2015*

*Rule 15C2-11
Information*

**KREISLER MANUFACTURING CORPORATION
RULE 15C2-11 INFORMATION**

1. The exact name of the Company and its predecessor (if any) is

Kreisler Manufacturing Corporation

2. The address of its principal executive offices is

**180 Van Riper Avenue
Elmwood Park, New Jersey 07407**

3. The state of incorporation of the Company is

Delaware

4. The exact title and class of the security to be listed is

Common Stock

5. The par or stated value of the security is

\$0.125

6. The number of shares outstanding as of the end of the Company's most recent fiscal year is

1,888,448

7. The name and address of the transfer agent is

**American Stock Transfer and Trust Company
6201 15th Avenue
Brooklyn, NY 11219**

8. The nature of the Company's business is described below:

Kreisler Manufacturing Corporation and its wholly-owned subsidiary, Kreisler Industrial Corporation ("Kreisler Industrial") (collectively, Kreisler or we, us, our or the Company), manufacture precision metal components and assemblies primarily for use in military and commercial aircraft engines and in industrial gas turbines.

9. The nature of products or services offered;

Our products include tube assemblies of multiple sizes and configurations as well as machined and formed components and are typically manufactured to the designs and specifications of the particular customer. Our products may be made of various materials, including titanium, nickel and stainless steel. These high-quality engineered tube assemblies transfer fuel, oil, water, air and hydraulic fluids. Orders are received through competitive proposals, which are made in response to request for bids from contractors who supply engine or engine components to various branches of the United States Department of Defense or to commercial businesses. Kreisler Industrial's order backlog as of December 31, 2015 was \$61.9 million.

10. The nature and extent of the Company's facilities are described below.

Our principal executive office is located at Kreisler Industrial's manufacturing facility in Elmwood Park, New Jersey. Our New Jersey location consists of a 52,000 square foot leased facility of which over 95% is committed to the operational requirements of Kreisler Industrial. The facility is approximately 60 years old and the current term under the existing lease agreement will expire on September 30, 2018.

In October 2014, an additional facility was leased in Elmwood Park, New Jersey. The lease for this 22,500 square foot facility will expire on November 22, 2018.

11. The names of the chief executive officer and members of the board of directors are as follows:

Director..... Michael D. Stern

Director John W. Poling

Director Edward A. Stern

Director..... Joseph P. Daly

Director..... Jeffrey P. Bacher

Michael D. Stern is also Co-President, Chief Executive Officer, and Treasurer of the Company.

Edward A. Stern is also Co-President, Chief Corporate Officer, and Secretary of the Company.

12. The Company's most recent balance sheet and profit and loss and retained earnings statements:

The most recent financial information for the six months ended December 31, 2015 is attached hereto as Exhibit A.

13. Similar financial information for such part of the two preceding fiscal years as the Company or its predecessor has been in existence:

The most recent financial information for the last two fiscal years is attached hereto as Exhibit B.

14. Whether the broker or dealer or any associated person is affiliated, directly or indirectly with the Company:

No.

15. Whether the quotation is being published or submitted on behalf of any other broker or dealer, and, if so, the name of such broker or dealer:

N/A

16. Whether the quotation is being submitted or published directly or indirectly on behalf of the Company, or any director, officer or any person, directly or indirectly the beneficial owner of more than 10 percent of the outstanding units or shares of any equity security of the Company, and, if so, the name of such person, and the basis for any exemption under the federal securities laws for any sales of such securities on behalf of such person.

N/A



EXHIBIT A – CONSOLIDATED FINANCIAL STATEMENTS

The following consolidated financial statements of the Company are included herein:

Consolidated Balance Sheets – December 31, 2015 and June 30, 2015

Consolidated Statements of Operations – Three and Six Months Ended December 31, 2015 and 2014

Consolidated Statement of Changes in Stockholders' Equity – Six Months Ended December 31, 2015

Consolidated Statements of Cash Flows – Six Months Ended December 31, 2015 and 2014

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets

Assets	December 31, 2015	June 30, 2015
	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash and cash equivalents	\$ 5,342,026	\$ 5,612,460
Accounts receivable – trade (net of \$20,000 allowance for uncollectible accounts at December 31, 2015 and June 30, 2015)	2,012,895	2,140,810
Inventories, net	5,369,343	4,787,135
Other current assets	324,143	197,383
Prepaid income taxes	—	169,884
Total current assets	13,048,407	12,907,672
Property and equipment, net	2,162,450	2,188,056
Deposits on property and equipment	56,000	—
Deferred tax assets, net	36,530	106,231
Total noncurrent assets	2,254,980	2,294,287
TOTAL ASSETS	\$ 15,303,387	\$ 15,201,959
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable – trade	\$ 1,970,413	\$ 2,004,987
Accrued expenses	651,915	1,277,714
Loan payable	100,456	98,454
Income taxes payable	40,914	158,000
Deferred tax liabilities, net	100,867	28,833
Total current liabilities	2,864,565	3,567,988
Loan payable, net of current portion	474,934	525,606
Accrued environmental costs	678,425	690,277
Total long-term liabilities	1,153,359	1,215,883
Stockholders' equity:		
Common stock, \$0.125 par value; 6,000,000 shares authorized; 1,888,448 shares issued and outstanding at December 31, 2015 and June 30, 2015	236,056	236,056
Additional paid-in capital	1,560,970	1,551,414
Retained earnings	9,488,437	8,630,618
Total stockholders' equity	11,285,463	10,418,088
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,303,387	\$ 15,201,959

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Statements of Operations (Unaudited)

Three and Six Months Ended December 31, 2015 and 2014

Three Months Ended December 31,	2015	2014
Net sales	\$ 9,438,879	\$ 6,821,140
Cost of goods sold	7,561,057	6,116,990
Selling, general, and administrative expenses	882,232	1,239,672
Total costs and expenses	8,443,289	7,356,662
Income/(loss) from operations	995,590	(535,522)
Interest and other income	936	856
Interest and other expenses	(14,106)	(7,852)
Realized gain on disposition of assets	8,253	—
Income/(loss) before income tax expense/benefit	990,673	(542,518)
Income tax expense/benefit	(314,221)	28,117
Net income/(loss)	\$ 676,452	\$ (514,401)
Net income/(loss) per common share:		
Net income/(loss) – basic	\$ 0.36	\$ (0.27)
Net income/(loss) – diluted	\$ 0.35	\$ (0.27)
Weighted average common shares – basic	1,888,448	1,870,915
Weighted average common shares – diluted	1,910,060	1,870,915

Six Months Ended December 31,	2015	2014
Net sales	\$ 16,425,925	\$ 14,638,174
Cost of goods sold	13,549,439	12,769,176
Selling, general, and administrative expenses	1,607,198	1,886,548
Total costs and expenses	15,156,637	14,655,724
Income/(loss) from operations	1,269,288	(17,550)
Interest and other income	2,059	2,442
Interest and other expenses	(20,328)	(10,746)
Realized gain on disposition of assets	8,253	—
Income/(loss) before income tax expense	1,259,272	(25,854)
Income tax expense	(401,453)	(134,472)
Net income/(loss)	\$ 857,819	\$ (160,326)
Net income/(loss) per common share:		
Net income/(loss) – basic	\$ 0.45	\$ (0.28)
Net income/(loss) – diluted	\$ 0.45	\$ (0.28)
Weighted average common shares – basic	1,888,448	1,869,432
Weighted average common shares – diluted	1,908,960	1,869,432

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Statement of Changes in Stockholders' Equity

Six Months Ended December 31, 2015

	<u>Common stock outstanding</u>		<u>Additional</u>		<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amounts</u>	<u>paid-in capital</u>		<u>earnings</u>	<u>stockholders'</u>
						<u>equity</u>
Balances, June 30, 2015 (audited)	1,888,448	\$ 236,056	\$ 1,551,414	\$	8,630,618	\$ 10,418,088
Net income	—	—	—		857,819	857,819
Stock-based compensation	—	—	9,556		—	9,556
Balances, December 31, 2015 (unaudited)	1,888,448	\$ 236,056	\$ 1,560,970	\$	9,488,437	\$ 11,285,463

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows (Unaudited)

Six Months Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net income/(loss)	\$ 857,819	\$ (160,326)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization	303,309	192,879
Realized gain on disposition of assets	(8,253)	—
Deferred tax expense	141,735	73,336
Stock-based compensation	9,556	—
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable – trade, net	127,915	1,618,766
Inventories, net	(582,208)	662,393
Other current assets	(126,759)	(105,867)
Prepaid income taxes	169,884	(320,864)
Accounts payable – trade	(34,574)	(976,535)
Accrued expenses	(625,799)	(344,562)
Income taxes payable	(117,086)	—
Accrued environmental costs	(11,852)	28,617
Net cash provided by operating activities	103,687	667,837
Cash flows from investing activities:		
Purchases of property and equipment	(277,704)	(629,867)
Deposit of property and equipment	(56,000)	(103,614)
Proceeds from sale of property and equipment	8,253	—
Net redemption of short-term investments	—	3,274,574
Net cash provided by/(used in) investing activities	(325,451)	2,541,093
Cash flows from financing activities:		
Repayment of line of credit	—	(250,000)
Cash dividend paid	—	(5,662,344)
Repayment of borrowings	(48,670)	—
Proceeds from exercise of stock options	—	89,700
Net cash used in financing activities	(48,670)	(5,822,644)
Decrease in cash and cash equivalents	(270,434)	(2,613,714)
Cash and cash equivalents – beginning of year	5,612,460	7,384,208
Cash and cash equivalents – end of year	\$ 5,342,026	\$ 4,770,494
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 48,920	\$ 382,000
Interest	\$ 37,715	\$ 5,446
Supplemental disclosure of noncash investing and financing activities:		
Deposits on property and equipment transferred to property and equipment	\$ —	\$ 161,650
Deposits on property and equipment included in accounts payable accrued expenses	\$ —	\$ 47,990

EXHIBIT B - FINANCIAL INFORMATION FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY****Consolidated Balance Sheets****June 30, 2015 and 2014**

Assets	2015	2014
Cash and cash equivalents	\$ 5,612,460	\$ 7,384,208
Short-term investments	—	3,274,574
Accounts receivable – trade (net of \$20,000 allowance for uncollectible accounts at June 30, 2015 and June 30, 2014)	2,140,810	2,709,360
Inventories, net	4,787,135	4,889,453
Other current assets	197,383	180,609
Prepaid income taxes	169,884	85,508
Total current assets	12,907,672	18,523,712
Property and equipment, net	2,188,056	796,465
Deposits on property and equipment	—	262,301
Deferred tax assets, net	106,231	228,620
Total noncurrent assets	2,294,287	1,287,386
TOTAL ASSETS	\$ 15,201,959	\$ 19,811,098
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable – trade	\$ 2,004,987	\$ 2,650,721
Accrued expenses	1,277,714	1,339,806
Line of credit	—	250,000
Loan payable	98,454	—
Income taxes payable	158,000	—
Deferred tax liabilities, net	28,833	20,731
Total current liabilities	3,567,988	4,261,258
Loan payable, net of current portion	525,606	—
Accrued environmental costs	690,277	534,180
Total long-term liabilities	1,215,883	534,180
Stockholders' equity:		
Common stock, \$0.125 par value; 6,000,000 shares authorized; 1,888,448 and 1,867,948 shares issued and outstanding at June 30, 2015 and June 30, 2014, respectively	236,056	233,494
Additional paid-in capital	1,551,414	1,446,973
Retained earnings	8,630,618	13,335,193
Total stockholders' equity	10,418,088	15,015,660
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,201,959	\$ 19,811,098

EXHIBIT B - FINANCIAL INFORMATION FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014**KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY****Consolidated Statements of Operations****Years ended June 30, 2015 and 2014**

	2015	2014
Net sales	\$ 30,489,646	\$ 30,607,834
Cost of goods sold	25,896,995	24,289,267
Selling, general, and administrative expenses	3,055,088	2,353,061
Total costs and expenses	28,952,083	26,642,328
Income from operations	1,537,563	3,965,506
Interest and other income	3,474	12,103
Interest and other expenses	(154)	(31,889)
Realized gain on disposition of assets	3,001	64,534
Income before income tax expense	1,543,884	4,010,254
Income tax expense	(586,115)	(1,286,810)
Net income	\$ 957,769	\$ 2,723,444
Net income per common share:		
Net income – basic	\$ 0.51	\$ 1.46
Net income – diluted	\$ 0.50	\$ 1.44
Weighted average common shares – basic	1,878,862	1,867,948
Weighted average common shares – diluted	1,903,796	1,888,240

EXHIBIT B - FINANCIAL INFORMATION FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

Years ended June 30, 2015 and 2014

	Common stock outstanding		Additional		Retained	Total
	Shares	Amounts	paid-in capital		earnings	stockholders'
						equity
Balances, June 30, 2013	1,867,948	\$ 233,494	\$ 1,446,973	\$	11,545,723	\$ 13,226,190
Net income	—	—	—		2,723,444	2,723,444
Cash dividend	—	—	—		(933,974)	(933,974)
Balances, June 30, 2014	1,867,948	\$ 233,494	\$ 1,446,973	\$	13,335,193	\$ 15,015,660
Net income	—	—	—		957,769	957,769
Cash dividend	—	—	—		(5,662,344)	(5,662,344)
Exercise of stock options	20,500	2,562	93,547		—	96,109
Stock-based compensation	—	—	10,894		—	10,894
Balances, June 30, 2015	1,888,448	\$ 236,056	\$ 1,551,414	\$	8,630,618	\$ 10,418,088

EXHIBIT B - FINANCIAL INFORMATION FOR FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

KREISLER MANUFACTURING CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net income	\$ 957,769	\$ 2,723,444
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation and amortization	478,149	264,058
Realized gain on disposition of assets	(3,001)	(64,134)
Deferred tax expense	130,491	81,399
Stock-based compensation	10,894	—
Increase (decrease) in cash attributable to changes in operating assets and liabilities:		
Accounts receivable – trade, net	568,550	572,268
Inventories, net	102,318	(1,308,954)
Other current assets	(16,774)	(29,692)
Prepaid income taxes	(84,376)	(85,508)
Accounts payable – trade	(645,734)	782,788
Accrued expenses	(62,092)	152,258
Income taxes payable	158,000	(344,974)
Accrued environmental costs	156,097	51,850
Net cash provided by operating activities	1,750,291	2,794,803
Cash flows from investing activities:		
Purchases of property and equipment	(1,607,439)	(420,660)
Deposit of property and equipment	—	(29,371)
Proceeds from sale of property and equipment	3,001	65,154
Net redemption of short-term investments	3,274,574	732,119
Net cash provided by investing activities	1,670,136	347,242
Cash flows from financing activities:		
(Repayments of) proceeds from line of credit	(250,000)	250,000
Cash dividend paid	(5,662,344)	(933,974)
Proceeds from borrowings	648,100	—
Repayment of borrowings	(24,040)	—
Proceeds from exercise of stock options	96,109	—
Net cash used in financing activities	(5,192,175)	(683,974)
Increase (decrease) in cash and cash equivalents	(1,771,748)	2,458,071
Cash and cash equivalents – beginning of year	7,384,208	4,926,137
Cash and cash equivalents – end of year	\$ 5,612,460	\$ 7,384,208
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Income taxes	\$ 382,000	\$ 1,635,894
Interest	\$ 17,654	\$ 11,889
Supplemental disclosure of noncash investing and financing activities:		
Deposits on property and equipment transferred to property and equipment	\$ 262,301	\$ 147,233
Deposits on property and equipment included in accounts payable accrued expenses	\$ —	\$ 232,930